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SUBJECT: TURKEY ALPHABET SOUP: ISTANBUL'S MYRIAD BUSINESS ORGANIZATIONS

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1. (SBU) Summary: Istanbul, Turkey's economic, commercial and cultural capital, hosts a rich diversity of business voices, all seeking to influence both government policy and international perceptions of Turkey. Leader of the pack is the venerable TUSIAD-- Turkish Industrialists and Businessmen's Association-- now in its fourth decade, which has won widespread respect (and occasional government pique) for its cogent policy critiques. In recent years, a host of other organizations has emerged. Tellingly, for a country and society still grappling with the proper boundaries of religion and a secular order, many of them are more avowedly religious. Young business leaders have also stepped forward, establishing groups to encourage entrepreneurship and to enable them to step out from their elders' shadow. End Summary.

2. (SBU) Running the gamut: Business associations in Istanbul come in a wide variety, beginning with those quasi-public organizations used to organize the business sector, continuing on to mixed organizations which seek to advance such national goals as international trade and exports, to the purely private and voluntary organizations that now crowd the city scene. Numerically, quasi-public organizations, and particularly the local Chambers of Commerce and Industry, still hold pride of place. But given that membership is compulsory (in that it is necessary for registration as a new business entity), they have tended to have less of a lobbying role. Only in recent years has the umbrella (and Ankara-based) Union of Chambers of Commerce (TOBB) begun to make its voice heard. Similarly, mixed organizations (such as the Foreign Economic Relations Board and its affiliated business councils) have focused on specific policy goals and remained relatively uncontroversial. Not so the private organizations. As exemplified by TUSIAD's recent confrontation with the Gul government over both Iraq policy and pursuit of economic reform, they have waded into the thick of policy debates, and played an important role in national politics. Their importance is not new (some ascribe the fall of one of Bulent Ecevit's early governments in the late 1970s to TUSIAD's opposition). But in an environment where many perceive a lack of (or lackluster) political opposition, they have assumed increasing importance. "The markets are the government's opposition," one leading investment analyst told us recently, and by extension these organizations play a similar role. Inspired by TUSIAD's success, the range of organizations has widened dramatically in the last decade, and now encompasses "young" business leaders, "independent" business leaders, and more avowedly "religious" business leaders.

3. (SBU) The Heavyweight-- TUSIAD: If it has spawned a slew of imitators, until TOBB recently began to take a more active role, TUSIAD has had no serious challenger for the title of Turkey's most influential business association. Founded in 1971, its 471 members represent over 1300 of Turkey's largest companies, producing 47 percent of the value added in Turkish production and a similar percentage of Turkey's exports. As the numbers suggest, these members include the country's largest industrial holdings. Past chairmen have included a number of Kocs and Sabancis, and other members of Turkey's most exclusive business elite. Once known as the "Bosphorus Billionaires' Club," the organization has evolved with the times, incorporating both representatives of foreign companies and the professional managers who have assumed the reins of many Turkish companies from their original founders. Currently headed by Tuncay Ozilhan, who recently reluctantly agreed to extend his two-year tenure for a third year, TUSIAD eschews partisanship but is politically active in lobbying for business interests. Recently it has focused on full implementation of Turkey's ongoing economic reform program

and advancement of Turkey's candidacy for EU membership. Based in Istanbul, the organization maintains permanent offices in Brussels and Washington.

14. (SBU) While non-partisan, TUSIAD does not pull its punches, as Ozilhan's mid-January critique of government policy on both Iraq and reform showed. Though both sides drew back from confrontation (and privately many TUSIAD members argue the media blew the dispute up out of proportion), Ozilhan succeeded in laying down a clear marker of the importance to Turkey's business community of both continued economic reform and cooperation with the U.S. Beyond its policy advocacy in Ankara and abroad (before Copenhagen, TUSIAD delegations inundated European capitals), TUSIAD also publishes academic and other papers on essential political and economic issues. A recent study on inflation and growth dynamics, for instance, highlighted the economic cost of the macro instability Turkey has experienced in recent decades.

15. (SBU) The Flatterers-- MUSIAD: If imitation is the sincerest form of flattery, TUSIAD has many admirers. Its success has spawned a slew of similar groups, though organized around different operating principles. Chief among these groups is the Independent Industrialists' and Businessmen's Association (MUSIAD), which groups many mid-rank companies, and is known for more of a "Muslim" identity. Founded in 1990, it currently has 3000 members, divided among 30 branches throughout the country. It organizes regular international and local trade fairs and trade missions, providing a key mechanism for companies that are new to international markets to make a first foray into them. A less developed and structured organization than TUSIAD, it consequently relies more on its leadership and its views. The current MUSIAD President, Ali Bayramoglu, has adopted a high public profile, commenting on pending economic and political issues. Reflecting his constituency, however, he has been less inclined to support the IMF consensus, and more given to advocate populist measures. Given a congruence of views, MUSIAD has close ties with the AK party, and a dozen organization members were elected to parliament in the November elections.

16. (SBU) Other groups include the Young Entrepreneurs Association (GYIAD) and the Young Turkish Businessmen's Association (TUGIAD), which both group the younger generation of Turkish entrepreneurs. Both groups have participated in USG-organized programs, as has the Business Life Cooperation Association (ISHAD). The latter has taken part in several trade missions to the United States, as well as a Public Affairs organized Voluntary Visitor Program. Like Musiad, its members come from small to medium-sized enterprises and are Islamic influenced, though they follow modern business practices, and do not circumscribe their business activities for religious reasons.

17. (SBU) The Specialist-- YASED: While TUSIAD effectively represents Turkey's largest economic actors, over the last quarter-century the Foreign Investors Association (YASED) has been similarly active in promoting the interests of foreign companies in Turkey. With 315 members representing 211 companies, YASED has fought to improve Turkey's business environment, focusing both on streamlining the torturous procedures for approval of foreign investments and assisting its members in their dealings with the Turkish government and regulatory bodies. Reorganized in 1998, YASED developed a committee system to address specific sectoral and regulatory needs. It has played a leading role in efforts to draft a new investment code and associated regulations and thereby improve the investment climate in Turkey. In a recent meeting it reported significant progress, noting that while serious issues remained, Turkey's new AK government has proved much more receptive to its proposals than were its predecessors. (septel).

18. (SBU) The Hybrid-- DEIK: If most Turkish business organizations are private, the current key actor in developing and encouraging international trade had a mixed character at its outset. In its early years the Foreign Economic Relations Board (DEIK) received state funding, from which it has now graduated. Instead it is financed exclusively by its members and founding organizations, which include TUSIAD and TOBB (TOBB's Chairman is always the titular head of DEIK). DEIK seeks to encourage international trade through bilateral business councils with Turkey's leading trade partners. The current 66 councils include 1134 representatives of 478 companies. Generally, participating companies have undertaken business activity with the target country, or plan to do so. DEIK essentially acts as an intermediary between the public and private sectors, due to its close working relations with both

government bodies and private sector institutions in Turkey. It aims to encourage business development, to improve conditions for bilateral trade, and to provide a forum for deliberations on new avenues and forms of bilateral and multilateral cooperation.

9. (SBU) TUSBC: For the U.S., the key subset of DEIK (and the first council formed) is the Turkish-U.S. Business Council, which functions as the counterpart to the American Turkish Council (ATC). Founded in 1985, at the personal urging of Turgut Ozal, TUSBC currently has around 100 members. In addition to the major international Washington Conference it organizes each March with the ATC, TUSBC also organizes other programs, including investment and business seminars throughout the U.S. and Turkey visits for American business and political leaders. At its 2003 meeting, it adopted an action plan to further strengthen its activities by creating a consulting center and reinvigorating its sectoral committees.

10. (SBU) TABA Amcham: While TUSBC is the American-Turkish Council's counterpart, the U.S. Chamber of Commerce's officially certified partner is the Turkish-American Business Association (TABA), which was founded at almost the same time (1986). Currently boasting 1000 (mostly Turkish) members in 7 chapters throughout the country, TABA has also sought to enhance business relations and promote investment between the two countries. It has also focused in particular on encouraging cooperation in the Caucasus region. It focuses on five sectors-- energy, telecommunication, transportation, tourism, and environmental protection-- but has generally been less active than its DEIK-affiliated counterpart. Recognizing the complications and difficulties resulting from the bifurcated organizational structure of Turkish-U.S. business relations, some TABA members have recently encouraged greater cooperation with TUSBC.

11. (SBU) Comment: Istanbul's diversity of business voices provides a valuable resource to the Consulate, both in seeking to advance U.S. business interests and in gleaning business attitudes to issues of the day. However, the multiplicity of voices can also be confusing, and the mission has encouraged greater unity and cooperation among the various organizations. Turkey's major independent policy voices seem determined to use their influence to fill the void left by the perceived absence of an effective opposition to the majority AK government. While both sides will no doubt try to avoid the heated clash of mid-February, there is no doubt that TUSIAD and its counterparts will continue to push their message at every opportunity. End Comment.  
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